

ITUP 22nd Annual Conference

Exploring Public Options in California

Conference Preview of Upcoming ITUP Series

Deborah R. Kelch
Executive Director

Presentation Overview

- Public Plan Choice at the Federal Level (Pre-ACA)
- The California Context for Public Plan Choice
- Considering Public Options for California: Three Scenarios
- Principles for Consideration

Public Plan Choice at the Federal Level

Advocates promoted the public option at the federal level as

A publicly insured plan in direct competition with other options for private insurance coverage

Public Plan Choice at the Federal Level

Proponents saw the potential benefits of a federal public option

- Lower Costs and Lower Premiums
 - No profits, Low overhead costs, No marketing, Volume discounts with providers
- Replace “Unhealthy” Market Competition based on attracting healthy lives with Healthy competition based on other factors (e.g., quality, price, network)
- Accountability and transparency of public entities

Public Plan Choice at the Federal Level

- Confusion and controversy – general outlines were sometimes unclear, allowing supporters and opponents to project greatest hopes and fears
- Public option also recognized as a highly visible symbol of the divide over the role of government in achieving universal coverage

Public Plan Choice at the Federal Level

Pre-ACA

H.R. 3962

- *Eligibility.* Individuals eligible for the exchange
- *Contract Administrator.* No provision regarding contract administrator
- *Provider Network.* Deem Medicare providers

S.Amdt. 2786 to H.R. 3590

- *Eligibility.* Individuals eligible for the exchange
- *Contract Administrator.* Competitively bid and a nonprofit entity
- *Provider Network.* Voluntary participation

Public Plan Choice at the Federal Level

Federal Legislation

H.R. 3962

- *Rates.* Secretary negotiates provider rates within limits
- *Consumer Protections.* Consumers can access federal courts to enforce rights
- *Federal Funds.* No federal funds if insolvent

S.Amdt. 2786 to H.R. 3590

- *Rates.* Secretary negotiates provider rates within limits
- *Consumer Protections.* State consumer protection laws apply
- *Federal Funds.* State solvency standards and new federal standards, subsequent federal legislation could address insolvency

ITUP 22nd Annual Conference

The California Context

Public Plan Choice

California Context for Public Plan Choice

- California Has an Active Purchaser Exchange (Covered California)
 - Will additional public plan choices in the exchange have lower premiums and introduce additional competition to drive down overall premiums beyond what Covered California has accomplished as an active purchaser?
- California Has an Existing Network of Local Public Health Plans
 - Do California's local public plans have the capacity to expand beyond Medi-Cal, or to serve additional geographic regions, and with what impacts on access and quality in the Medi-Cal program?

California Context for Public Plan Choice

- California Standards and Consumer Protections Exceed Federal Law
 - If California expands public plan choice to compete with private health plans, should publicly sponsored plans meet the same standards and follow the same rules as private health plans operating in those markets?
- Many California Communities Have Provider Shortages and Lack of Competition
 - Will publicly sponsored plans effectively overcome the barriers in underserved areas that currently lead to limited health plan choice and higher premiums?

California Context for Public Plan Choice

- State Safety Net Linked to Public Health Plans
 - As California explores public plan choice, what are the potential benefits or risks in terms of funding and viability of the state's safety net?

ITUP 22nd Annual Conference

Public Options for California

Three Scenarios

Public Options for California: Three Scenarios

Scenario 1

Exchange Public Option

(Existing Local Health Plans)

Increased participation of local public health plans in the state exchange, as the public plan choice in Covered California and individual market

Scenario 2

Exchange Public Option

(New State Health Plan)

A state-operated public health plan choice offered through the state exchange and outside individual market

Scenario 3

Medi-Cal Buy-In Public Option

Public coverage choice offered for private purchase through the Medi-Cal program infrastructure

ITUP 22nd Annual Conference

Principles for Consideration

Principles for Consideration

- **Identify the problem and consider whether public plan choice will effectively address the problem**
- **Preserve consumer protections in law and regulation**
- **Evaluate the feasibility and cost/benefit of public plan choice to achieve specific policy goals**

Principles for Consideration

- *Maximize federal funding*
- *Prioritize approaches that benefit consumers*

Roundtable Discussion

DISCUSSION QUESTION

**Should California consider
expanding public plan choice?**

**If yes, why? If not, why not?
What are the potential risks and benefits?**

ITUP 22nd Annual Conference

ITUP Public Option
Series Coming Soon!

www.itup.org